

# **MAINE WORKERS' COMPENSATION BOARD COMPLIANCE AUDIT REPORT**

**October 6, 2000**

Central Maine Power Company  
83 Edison Drive  
Augusta, ME 04336

**Claims Covered by Audit:** 1999 Dates of Injury

**Companies Covered by Audit:**

Central Maine Power Company Self-Insured/Self-Administered (S708)

**Examination by:** Marlene Swift, Auditor  
Noreen Lyons, Auditor

**Reviewed and Approved by:** Steven Minkowsky, D.D.B.A.

The results of the audit and the procedures followed have been explained to:

<b>Name:</b>	<b>Title:</b>	<b>Date:</b>
Margaret Simpson	Workers' Compensation Administrator	Various
John Norman	Risk Management Manager	Various

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## SUMMARY

The Audit Division of the Maine Workers' Compensation Board examined a sample of 100 claim files for the period under examination (1999) to determine compliance with statutory and regulatory requirements in the following areas:

- Timeliness of indemnity payments
- Accuracy of indemnity payments
- Form filing

Of the 100 claim files audited, there were 19 "lost time" claims and 81 "medical only" claims.

Central Maine Power (CMP) is self-insured and its workers' compensation coverage is self-administered.

Our audit revealed:

- CMP provides its employees with a salary continuation plan to supplement their workers' compensation benefits. This salary continuation benefit ensures prompt initial payments to injured employees and uninterrupted weekly payments thereafter. Their salary continuation plan uses the following "banks of hours" to compensate injured employees:
  1. Industrial Accident (non-taxable Workers' Compensation)
  2. Full Pay Sick
  3. Supplemental Full Pay Sick
  4. Half Pay Sick

Every CMP employee has a designated number of hours in each of these banks, depending on the length of their employment and the number of hours they have used.

CMP pays its employees from their Full Pay Sick banks during the first fifty-six (56) hours of lost time (seven-day wait). They then pay employees from their Industrial Accident banks until those banks are depleted. When employees lose more than one hundred-twelve (112) hours, their Full Pay Sick banks are reimbursed by the their Industrial Accident banks for the first fifty-six hours. When their Industrial Accident banks are depleted, their Full Pay Sick banks are used. When their Full Pay Sick banks are depleted, their Supplemental Full Pay Sick banks are used. When their Supplemental Full Pay Sick banks are depleted, their Half Pay Sick banks are used. When their Half Pay Sick banks are depleted, employees are terminated from payroll, but are offered long-term disability, and are eligible for re-employment for three (3) years.

CMP allows its employees to attend injury-related medical appointments during working hours, and those absences are compensated in the manner set forth in the above paragraph. However, CMP *does not* consider this cumulative lost time due to injury-related medical appointments for reporting purposes under §303 and §205(7). CMP *does* consider other types of injury-related lost time for reporting purposes under §303 and §205(7) even though there is no difference in the way its employees are compensated for *any* injury-related lost time.



Since CMP has defined the seven-day waiting period and the fourteen-day waiting period, they have thereby defined "a day or more lost time", and it appears that *any* claims meeting these definitions should be reported to the Board in accordance with §303 and §205(7).

- Eighty-eight percent of the average weekly wages and compensation rates audited were calculated correctly. Only one average weekly wage was calculated incorrectly. That employee's wages met the criteria found in §102(4)(A), but CMP used the formula found in §102(4)(B) to calculate the average weekly wage. This practice resulted in a reduced compensation rate, and reduced non-taxable compensation from the Industrial Accident bank. However, the employee saw no reduction in her paycheck because of the salary continuation plan, which also supplements the non-taxable compensation. This discrepancy would only affect the employee's tax liability.

It appears that CMP uses the formula found in §102(4)(B) to calculate all average weekly wages.

- Form filing compliance ranged from 20% to 100%. The only low compliance (20%) was found in the filing of WCB-11, Statement of Compensation Paid forms. It appears that CMP did not have an effective system for generating these forms in a timely manner.

All missing forms identified at the time of audit have since been filed in response to our request.

## PENALTIES

### A. Penalties Allowed by Law

◆ 39-A M.R.S.A. Sec. 359(2)

"In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3<sup>rd</sup>-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the board is exempt from the provisions of the Maine Administrative Procedure Act."

◆ 39-A M.R.S.A. Sec. 360(1)(A)

"The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;"

◆ 39-A M.R.S.A. Sec. 360(1)(B)

"The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act."

Four (4) forms were filed late (\$400.00).

◆ 39-A M.R.S.A. Sec. 360(2)

"The board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The board may also require that person to repay any compensation received through a violation of this act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.

## INDEMNITY BENEFITS

### A. Prompt Initial Payment of Benefits

Death benefits were promptly paid under §356 for one employee who had no dependents.

All other indemnity claims audited were subject to CMP's salary continuation plan. This plan insured that all employees received uninterrupted weekly wages.

It was noted that there was sometimes a lag between the time the employee was paid and the time it took CMP to adjust its payroll records for the non-taxable workers' compensation benefits, but it does not appear that those lags had any negative impact on the injured employees.

### B. Prompt Subsequent Payment of Benefits

As previously noted, all indemnity claims audited were subject to CMP's salary continuation plan. Therefore, all subsequent payments were timely.

### C. Accuracy of Average Weekly Wage

		1999	
		Number	Percent
Calculated:			
Correct	<b>Compliant</b>	7	88%
Incorrect		1	12%
Total		8	100%

### D. Accuracy of Weekly Benefit Rate

		1999	
		Number	Percent
Calculated:			
Correct	<b>Compliant</b>	7	88%
Incorrect		1	12%
Total		8	100%



## FORM FILING

### A. First Report (WCB-1)

	1999	
	Number	Percent
Received at the Board:		
Filed	29	100%
Total	29	100%
Not Required	71	

### B. Wage Statement (WCB-2)

	1999	
	Number	Percent
Received at the Board:		
Filed <b>Compliant</b>	7	100%
Not Filed	0	0%
Total	7	100%

### C. Schedule of Dependent(s) and Filing Status Statement (WCB-2A)

	1999	
	Number	Percent
Received at the Board:		
Filed <b>Compliant</b>	7	100%
Not Filed	0	0%
Total	7	100%

### D. Memorandum of Payment (WCB-3)

	1999	
	Number	Percent
Received at the Board:		
Filed <b>Compliant</b>	7	100%
Not Filed	0	0%
Total	7	100%
Filed, But Not Required <sup>1</sup>	1	

<sup>1</sup> A Memorandum of Payment was filed to show payment to the Employment Rehabilitation Fund on a fatal claim where there were no dependents.

## FORM FILING (Continued)

### E. Discontinuance or Modification (WCB-4)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	6	100%
Not Filed		0	0%
Total		6	100%

### F. Certificate of Discontinuance or Reduction of Compensation (WCB-8)

The WCB-8 form was not used and not required for any of the claims audited.

### G. Notice of Controversy (WCB-9)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	8	100%
Filed Late		0	0%
Total		8	100%
Medical Only NOC		10	

### H. Statement of Compensation Paid (WCB-11)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	1	20%
Not Filed		4	80%
Total		5	100%